

Mr. Chairman and Members of the Committee.

The Montana Association of Ambulatory Surgery Centers opposes Senate Bill 417.

Specialty Hospitals are Good for Patients, Good for Physicians, Good for Communities, and Good for the Industry.

### **Good for Patients...**

The Medicare Act of 2003 required a study to be performed related to physician owned hospitals by the U.S. Department of Health and Human Services (HHS). In March 2005, HHS reported several significant findings as a result of their study. Consider the following:

- **Physician owned hospitals provide a high level of quality of care.** HHS reported that structural measures of quality, such as staff specialization, clinical staff per patient, and complication rates, all suggested good performance on the part of physician owned hospitals and demonstrated very high quality of care. "Study of Physician-Owned Specialty Hospitals Required in Section 507(c)(2) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003," (HHS Study) by Michael O. Leavitt, Secretary of Health and Human Services, 2005, p. 53.
- **The HHS Study also found that patients value greatly the additional amenities provided by physician owned hospitals,** such as a quiet environment, private rooms, family accommodations, accessibility and attentiveness of nursing staff, specialized training of nursing staff, and specialized treatment and procedures offered by specialty hospitals because they contribute to their recovery. HHS Study, pgs. 48-53.
- **Mortality rates are significantly better for physician owned hospitals than for competitor hospitals** -- for all medical procedures analyzed by HHS there was a measurable statistical significance. HHS Study, pg. 42 (in reaching these conclusions, HHS adjusted for acuity).
- **Complication rates at physician owned hospitals are also measurably lower than at general hospitals.** According to the HHS study, patients are 3-5 times more likely to contract complications at general hospitals than specialty hospitals. HHS Study, pg. 44-45 (Again, the results of the HHS Study were adjusted for acuity.)
- **Nurse to patient ratios are significantly better at physician owned hospitals than general hospitals.** At physician owned hospitals, nurse to patient ratios average 4 to 1; however, nurse to patient ratios at general hospitals are typically 8 to 1 or higher.

Now that you are aware of these federal study findings, if you were afforded a choice, where would you prefer to be treated?

### **Good for Physicians...**

- **Physician owned hospitals put patient care back into the hands of physicians** and out of the grasp of corporate health networks that care less about patient care than adding to the financial bottom line.
- Physician ownership of hospitals is attacked by many general hospitals as a conflict of interest, hospitals that interestingly see no conflict when they reverse the tables and own physician practices. Large hospitals, especially in the past 10 years, have been buying large medical groups and clinics. By purchasing a group or clinic, they virtually prohibit a return to private practice by the physicians. These doctors become beholden to the hospital that issues their paycheck. Their loyalties and livelihoods belong to the hospital. Under such circumstances, hospital employers of physicians have been known to monitor employed physicians' referrals and insist on referrals to "loyal" surgeons who are then expected to send those patients to the designated hospital. **The ultimate conflict of interest is not physician ownership of hospitals, but rather hospital "ownership" of physicians.**
- In its federally mandated report to Congress, **MedPAC stated that the most common reason for physicians to establish surgical hospitals was governance.** "Physicians wanted to control decisions made about the patient care areas of hospitals so they could improve the quality of care provided, improve their productivity, and make the hospital more convenient to them and their patients." *Report to Congress, Physician-Owned Specialty Hospitals*, March 2005, Medicare Payment Advisory Commission (MedPAC), pgs. 7-8.
- **Physicians know what's best for their patients.** When physicians are in charge, patients benefit.
- **Physician owned hospitals allow physicians more control over their lives.** Surgeons do not need to be at the mercy of the general hospitals' operating room schedules. Rather, they are allowed the ability to work in an environment that is best suited for the work they do – nurses and technical staff are specialized, operating rooms have much faster turn around times, physicians have much more say in the equipment they are allowed to purchase and use, and scheduling is more flexible. All of these factors lead to better quality of life for physicians who, just like anyone else, want to spend time with their families.

#### **Good for Communities...**

- **Physician owned hospitals clearly benefit their communities.** Considering both uncompensated care and tax payments, physician owned hospitals returned a net community benefit almost 8 times higher than non-profit hospitals, averaging 7.23% for surgery hospitals as compared to .87% for non-profit hospitals. HHS Study, pg. 58.
- **The physician owned hospital industry has a great economic impact at the federal, state and local levels.** Federally, the following statistics were reported: \$932,706,468 in Total Payroll; \$125,578,212 annually paid in Federal Taxes; \$1,560,156,309 in Trade Payables; and 22,443 Full Time Employees. In addition, physician owned hospitals pay significant real estate taxes to their states and local communities.

- **Physician owned hospitals play by the rules.** Not only do physician owned hospitals treat Medicare and Medicaid patients, but in fact, approximately one-quarter of the revenue received on an annual basis by the physician owned hospitals across the country originates from Medicare/Medicaid cases.
- **Physician owned hospitals treat charity care cases.** Considering true charity work as well as bad debt write-offs, physician owned hospitals provide more community benefit than most non-profit general hospitals.
- **Physician owned hospitals provide an opportunity to strengthen the local medical community.** The opportunity to be involved with a physician owned hospital, as either an investor or credentialed user, provides a means of recruiting and retaining top quality surgeons to communities that may otherwise find it difficult to attract and retain physicians in high-demand specialties. This means superior access to better physicians for patients in communities served by physician owned hospitals.
- **Physician owned hospitals allow communities to become centers for healthcare excellence.** The excellent, quality services provided by physician owned hospitals often attract patients from an expanded service area broadening the community healthcare market.

#### **Good for the Industry...**

- **Competition does not hurt general hospitals.** This fact is more than evident even if looking only at the national growth of the healthcare industry. For instance, on January 3<sup>rd</sup>, 2006, *USA Today* reported that the industry is “in the middle of the biggest hospital-construction boom” in more than 50 years. And on November 7<sup>th</sup>, 2005, *Modern Healthcare* reported that the hospital industry’s profits “rose to an all-time record and its net profit margin hit a six-year high.”
- Furthermore, the MedPAC Study found specifically that **the profitability of general hospitals remained stable over time** even when faced with a physician owned hospital in the same market area. According to MedPAC, “The financial impact on community hospitals in the markets in which physician-owned specialty hospitals are located has been limited, thus far. Those community hospitals competing with specialty hospitals have demonstrated financial performance comparable to other community hospitals.” MedPAC Study, summary pg. vii.
- **When competition exists in any industry, including healthcare, service is improved, efficiencies are heightened and costs are controlled.** In fact, the MedPAC Study reported that competition provides community hospitals with a stimulus for change; and that community hospitals often responded to the presence of surgical hospitals by “improving their own performance.” MedPAC Study, pg. 10.
- **Let competition work.** A joint study between the Department of Justice and Federal Trade Commission found that the American free-market system is built on the premise that open competition and consumer choice maximize consumer welfare, even when complex products and services such as healthcare are involved.

“Improving Healthcare: A Dose of Competition,” A Report by the Federal Trade Commission and the Department of Justice, July 2004. “Healthy competition equals healthy consumers. Consumers want high-quality, affordable, accessible health care, and the challenge of providing it requires new strategies,” said FTC Chairman Timothy J. Muris.

- **Let’s put consumers in charge of healthcare...** The current healthcare industry is made up, in large part, of vertically integrated delivery systems that have proven an economic nightmare. On the other hand, physician owned hospitals are focused, not integrated, leading to lower costs and better efficiency. The focus is on what the consumers want and need. **This is the model for the future, patient choice – consumer driven healthcare.**

The debate over physician owned hospitals should be about how patients and communities can best be served . . . patients can best make that decision. Competition and innovation have served this country well. Those same forces should be allowed to continue as we all search for improved care and access at the lowest cost.

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